S&MM
SALES & MARKETING MANAGEMENT

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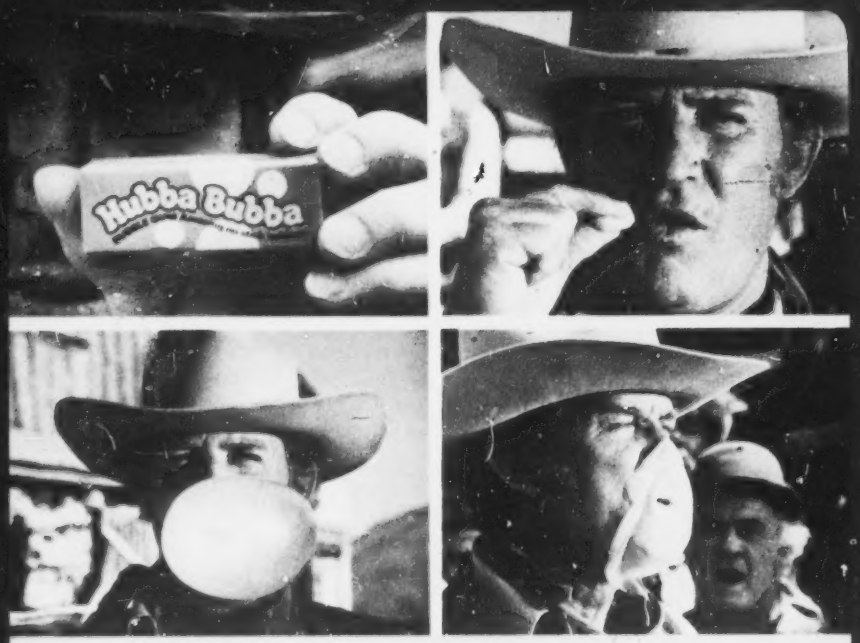

Stick with it, Wrigley

In a tense "gumfight," the hero of this TV commercial saves face by chewing Wrigley's Hubba Bubba with its "amazing no-stick bubbles." Once king of the chewing-gum market, Wrigley hopes that its newest product will help it repel the growing competition from American Chicle and Life Savers. The article begins on page 37.

Inside Out

Industrial marketing. To make sure it avoids another inventory problem, Pirelli Cable double-checks the size of its orders. Page 14.

S&MM Barometer. Instead of closing out the year with their usual business blitz, industrial marketers will have to fight for every sale. Page 15.

Commuter airlines spread their wings. These 258 small carriers are the hottest segment of the airline industry. Page 15.

The mystery at IBM. What's behind the computer giant's foray into videodiscs? See Page 17.

Marketing in the 1980s. A preview of S&MM's Dec. 10 Special Report describes the expected impact of technology. Page 59.

Sales Strategies. A new S&MM department by contributing editor Mack Hanan takes a look at how sales managers can best apply their products to the needs of key customers. Page 90.

Complete Contents, Page 3.

AN S&MM
SPECIAL SECTION

The squeeze is on

With gas over $1 a gallon, it's everyone into the small cars. But try and find 'em.

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AN EXCLUSIVE S&MM SURVEY

What top sales and marketing executives earn

What's coming up

Survey II. Media inflation, competition from the Olympics, and the 1980 presidential election will complicate the advertising picture next year. To help marketers plan their budgets, the *Survey of Buying Power—Part II* offers an update on the demographic and economic characteristics of newspaper and TV markets. Other highlights: Five-year projections of U.S. and Canadian metro markets and a review of merchandise line sales. Oct. 29.

American Biltrite is cutting its low-margin lines, reorganizing its sales and marketing team, and tightening controls wherever possible. The goal is simple: to make its industrial and consumer rubber and plastic products more profitable at last. Nov. 12.

Sales compensation. A survey of S&MM readers by Porter Henry and John Barry shows the types of plans most in use today—and the kind most disliked (even by those using them). Nov. 12.

Sales meetings. An S&MM Special Section reports on new techniques for picking sites and ensuring trouble-free sessions, with emphasis on planning. Nov. 12.

Address all manuscripts and correspondence relating to editorial matters to The Editor, Sales & Marketing Management, 633 Third Ave., New York, N.Y. 10017.

Because S&MM is almost totally staff written, only a very small number of contributed articles can be accepted for publication. For that reason, contributors are urged to submit an initial query along with an outline.

All unsolicited manuscripts must be accompanied by a return envelope with sufficient first-class postage. We regret that those arriving without such postage cannot be returned.

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50 Plus, gets 45% of his audience through corporate subscriptions. He predicts that circulation, now 180,000, will hit 300,000 by next July. Subscribers pay $8.95 a year. The one-time rate for a four-color ad is $2,880.

EXPANDING MARKETS

Commuter airlines spread their wings

Deregulation of the airline industry is proving to be a boom for the 258 small U.S. carriers that call themselves commuter airlines (defined as those flying no planes with more than 60 seats and with routes limited to 250 miles). The Commuter Airline Assn. of America reports that its members:

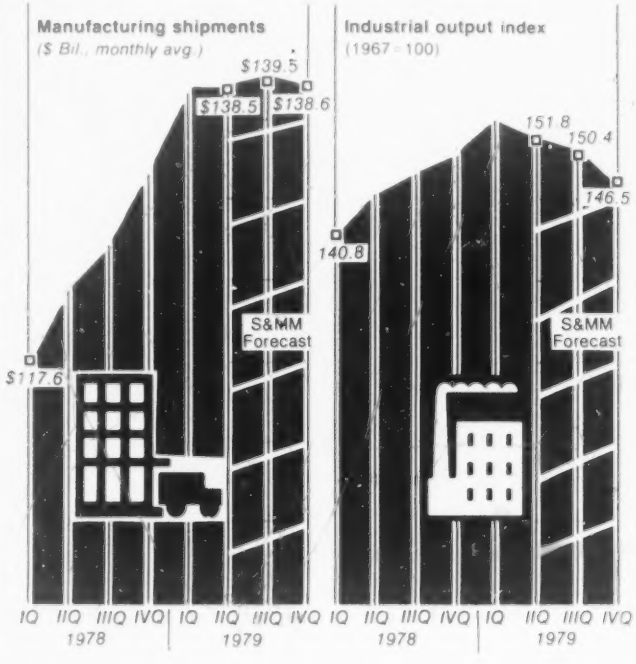
- Will haul 12 million passengers in 1979—up 22%;
- Have replaced trunk carriers at 50 airports since deregulation and will supplant another 30 by year-end;
- Will increase their current 1% share of total passenger traffic to 10% by 1990.

All that is thrusting the commuter carriers into marketing for the first time. For example, Air Florida christened a new route recently by paying the first planeful of passengers a reward of $1 each. Provincetown-Boston Airlines, the nation's oldest commuter, inaugurated a route from Boston to Cape Cod's Hyannis Port with 50%-off coupons. Mississippi Valley Airline, La Crosse, Wis., hopes to better its 125% rise in passenger traffic this year by advertising that its two new 30-seat SD 330 turboprops include galleys, heads, and flight attendants—still a

NEW NEW NEW NEW NEW NEW NEW NEW NEW NEW

S&MM BAROMETER

For industrial marketers this year, a sotto voce finale



Industrial salespeople, who usually close out a year in a frenzy of activity to qualify for bonuses, face rough going in 1979's fourth quarter. Consumer spending is still lethargic, so manufacturers will concentrate on paring inventories, which jumped 1.9% in July, the largest monthly increase since 1974. As a result, relatively few manufacturers will be in a mood to buy.

The consensus is that overall industrial output will drop 0.9% in the third quarter and then plunge a steep 2.6% in the fourth quarter. That implies that manufacturing shipments will, at best, cling to their second-quarter rate, $138.5 billion a month, in the fourth quarter or even head downward.. Meanwhile, new orders—S&MM'S calculations show they slipped 2.1% in the second quarter and 1.5% in the third quarter—are expected to fall at a faster rate in 1979's final quarter.

Sources: S&MM calculations; U.S. Dept. of Commerce, *Manufacturers' Shipments, Inventories, and Orders* monthly report; Federal Reserve Board, *Industrial Production* monthly report.
[c] Sales & Marketing Management.

NEW NEW NEW NEW NEW NEW NEW NEW NEW NEW

marketing executives earn

Meanwhile, perquisites or "perks" lost much of their glamour among corporations in 1978 and will continue to, thanks to the tax agent. Few perks give the executive a tax advantage any longer, and many are now actually tax handicaps. However, nearly every company in the survey still provides its executives with such fringe benefits as reimbursement for uninsured medical expenses, payment for earned vacation time not taken, life insurance policies, and personal financial counselling.

In the future, top sales and marketing executives and the managers who work under them could see their compensation take another major leap if the Carter Administration grants business executives a pardon from its 7% ceiling on base salaries and wages, as the prestigious Business Roundtable recently urged. The Roundtable's 109 members want corporations to be allowed to give pay raises of up to 10% to those employees who do not have cost-of-living allowances included in their contracts, as do most workers who belong to unions.

One reason for the recommendation is that corporations abiding by the 7% voluntary ban fear they could lose hard-to-replace executives to competitors that grant larger hikes without violating the President's ban. If Carter is agreeable, and profitability continues to be healthy, next year's survey could be cause for celebration for even more executives.

Executive compensation survey

Company	Sales (Millions)	Individual And Title	Gross Total Remuneration*	Shares Common Stock Owned	Stock Options	Additional Compensation Plans
AEROSPACE AND AIR TRANSPORTATION						
Allegheny Airlines	$570.0	L. Thomas Ferguson *executive v.p., marketing services*	$129,654		Granted; Unexercised Options Held	Incentive Compensation; Deferred Compensation
Cessna Aircraft	759.4	Robert L. Lair *senior v.p., marketing*	135,000	26,262	Exercised; None Granted; Unexercised Options Held	Merit Incentive Compensation
Continental Airlines	774.7	Charles A. Bucks *executive v.p., marketing*	202,003	14,033	Exercised; None Granted; Unexercised Options Held	Incentive Compensation Plan
Frontier Airlines	290.8	Gordon Linkon *v.p., marketing*	91,500		Exercised; None Granted; Unexercised Options Held	
North Central Airlines	299.1	David E. Moran *v.p., traffic & sales*	69,345		Exercised; Unexercised Options Held	Employee Stock Ownership Plan
Northwest Airlines	790.2	Robert J. Wright *v.p., sales*	83,000		Exercised; Granted; Unexercised Options Held	
Western Airlines	734.0	Richard P. Ensign *senior v.p., marketing*	115,000		Granted: Unexercised Options Held	Incentive Compensation

*Includes salaries, fees, incentives, and bonuses paid in cash.

Executive compensation survey

Company	Sales ($ Millions)	Individual And Title	Gross Total Remuneration*	Shares Common Stock Owned	Stock Options	Additional Compensation Plans
APPAREL						
Blue Bell	$872.3	Edwin F. Lucas Jr. *v.p., marketing*	$122,344	50,008	None Granted; Unexercised Options Held	Savings And Profit Sharing Plan
Russ Togs	136.1	Irwin L. Rousso *executive v.p., sales & merchandising*	403,000	144,976		Deferred Compensation Profit Sharing
Russ Togs	136.1	Joel S. Grey *executive v.p., marketing*	100,000	1,335		Profit Sharing
AUTOMOTIVE PARTS						
Champion Spark Plug	692.6	Charles A. Schwalbe Jr. *v.p., sales*	114,965		Granted; Unexercised Options Held	Performance Bonus Program
BEVERAGES						
Brown-Forman Distillers	559.8	Roger M. Colman *senior v.p., marketing*	226,630	10,061		
G. Heileman Brewing	393.5	John S. Pedace *executive v.p., marketing*	115,900	9,000	None Granted; Exercised; Unexercised Options Held	Profit Sharing; Employee Stock Ownership Plan
Pabst Brewing	735.8	John D. Reifenrath *executive v.p., marketing*	116,667	1,000	Unexercised Options Held	Deferred Compensation
BUILDING MATERIALS						
Susquehanna	139.5	George R. Schwartz *v.p., marketing planning*	42,292		None Granted; Unexercised Options Held	Thrift Savings Plan; Incentive Compensation
Triangle-Pacific	253.2	Joseph Nussbaum *executive v.p., sales & marketing*	150,000		None Granted; Exercised	Stock Incentive Plan; Profit Sharing
BUSINESS EQUIPMENT						
Burroughs	2,460.0	J. Roy Henry *executive v.p., marketing*	173,750		Granted; Unexercised; Unexercised Options Held	Bonus Plan (Incentives)
Data General	379.9	Herbert J. Richman *senior v.p., marketing*	92,000	241,900		
Data General	379.9	Barry J. Fidelman *v.p., European sales*	100,000		Granted; Exercised; Unexercised Options Held	
Deluxe Check Printers	313.1	Robert D. Racine *senior v.p., marketing*	83,967	16,182		Profit Sharing
Prime Computers	93.6	R.M. Morrill *v.p., marketing*	128,500		Granted; Exercised	Management Incentive Plan; Stock Purchase Plan
Standard Register	216.6	John W. Reed *v.p., marketing*	122,142			
Sykes	6.6	Albert J. Montevecchio *senior v.p., marketing*	68,174	9,507	Granted; Unexercised Options Held	
CHEMICALS						
First Mississippi	155.5	James W. Crook *v.p., marketing*	110,641	175,821	None Granted; Unexercised Options Held	Thrift Plan
Lubrizol	586.5	J.R. Stitt *v.p., sales*	146,345	48,739	Granted; Unexercised Options Held	Profit Sharing; Equity Purchase Plan

*Includes salaries, fees, incentives, and bonuses paid in cash.

Executive compensation survey

Company	Sales (Millions)	Individual And Title	Gross Total Remuneration*	Shares Common Stock Owned	Stock Options	Additional Compensation Plans
CHEMICALS (continued)						
Terra Chemicals	$198.9	Lawrence W. Galloway *v.p., retail sales*	$ 75,896		Granted; Unexercised Options Held	
COAL AND MINING						
Rochester & Pittsburgh Coal	151.4	Donald C. Farnsworth *v.p., sales*	83,650			Deferred Compensation
Texasgulf	340.6	J.W. Hall Jr. *v.p., marketing*	98,651		Granted; Exercised; Unexercised Options Held	Incentive Stock Plan
COSMETICS & TOILETRIES						
Avon Products	2,014.7	James E. Clitter *senior v.p., marketing*	210,599		Granted; Unexercised Options Held	Executive Compensation
Faberge	255.1	Joseph DeKama *executive v.p., sales & marketing (resigned)*	160,667		Exercised; Unexercised Options Held	
Tampax	170.6	Oliver C. Grey *v.p., domestic field sales*	67,870			
DENTAL EQUIPMENT						
Dentsply International	211.7	Edward J. Lipawsky *president; executive v.p., sales*	101,741	21,867	Granted; Unexercised Options Held	Incentive Compensation
ELECTRICAL						
Cubic	143.5	C.C. Wellborn *v.p., marketing & contracts administration*	71,946		None Granted; Exercised; Unexercised Options Held	Profit Sharing
Franklin Electric	135.6	Donald P. McArdle *v.p., marketing*	93,400		Unexercised Options Held	Employees Savings Plan
Soundesign	143.4	Robert H. Winer *senior v.p., marketing*	224,949	14,550	Unexercised Options Held	
Zenith	980.0	Walter C. Fisher *executive v.p., sales & marketing*	188,300	5,000	Granted; Unexercised Options Held	Deferred Compensation Incentive Award
FABRICATED METALS						
Mirro Aluminum	131.6	William T. Alldredge *v.p., marketing & sales*	60,000			Profit Sharing
Revere Copper & Brass	680.8	J.W. Eason *executive v.p., aluminum sales*	162,500	6,500	Granted Unexercised Options Held	Incentive Compensation
FINANCIAL						
Kansas City Life	147.3	D.D. Dysart *senior v.p., marketing*	74,748	166		Savings Plan
FOOD						
Campbell Soup	1,983.7	C.J. McNutt *v.p., sales*	135,570		Unexercised Options Held	Management Incentive Plan
Dinner Bell Foods	190.5	Terry S. Elberson *executive v.p., marketing*	73,000		None Granted; Exercised; Unexercised Options Held	
Oscar Mayer	1,349.9	Richard L. Tolleson *executive v.p., marketing*	246,782	29,700	Unexercised Options Held	Stock Incentive Plan
Rath Packing	330.7	John F. Lambert *senior v.p., sales & marketing*	50,640	150		

*Includes salaries, fees incentives, and bonuses paid in cash.

Executive compensation survey

Company	Sales (Millions)	Individual And Title	Gross Total Remuneration*	Shares Common Stock Owned	Stock Options	Additional Compensation Plans
FOOD (continued)						
J.M. Smucker	$145.8	William P. Boyle Jr. *v.p., marketing*	$109,520	10,800	Unexercised Options Held	
Tyson Foods	266.6	Robert Atchison *president, marketing & processing*	60,129		Exercised; Unexercised Options Held	Profit Sharing; Investment Credit Stock Ownership Plan
Wm. Wrigley Jr.	445.6	Graham Morgan *senior v.p., marketing*	74,484			Incentive Compensation Savings Plan
GLASS						
Guardian Industries	200.9	Murray J. Yudin *v.p., national sales*	174,204	46,755		Stock Ownership Plan; Thrift Plan; Deferred Compensation
Guardian Industries	200.9	Norman Shulman, *v.p., flat glass sales*	203,902			Stock Ownership Plan; Thrift Plan; Deferred Compensation
Kerr Glass Manufacturing	303.1	W.A. MacRae Kerr *senior v.p., sales*	156,817	50,800	Unexercised Options Held	
Midland Glass	150.8	J. Richard Woods *v.p., general sales manager*	83,250			
HOUSEHOLD FURNISHINGS						
Cook Paint & Varnish	132.2	Robert F. Liepsner *v.p., sales (retired)*	62,467			
Ethan Allen	201.1	Patrick H. Norton *v.p., marketing*	71,001	6,400	Exercised	Profit Sharing
Keller Industries	157.4	Charles A. Mercer *executive v.p., sales & marketing*	51,169		Unexercised Options Held	
Kimball International	185.9	Robert R. Laube *senior executive v.p., director, marketing*	154,786	10,584	Granted; Unexercised Options Held	Deferred Compensation
Kirsch	142.9	Richard U. Scott *v.p., marketing*	77,000	1,175	None Granted; Exercised; Unexercised Options Held	Thrift Plan; Incentive Compensation
Kroehler Mfg.	142.0	Gary K. Schroeder *v.p., sales*	77,000		Granted; Unexercised Options Held	
Leggett & Platt	179.7	Ralph V. Johnson *senior v.p., marketing*	78,361	45,002	Unexercised Options Held	Savings Plan
National Presto Industries	92.8	Walter G. Ryberg *v.p., marketing*	126,300			Stock Purchase Plan
Whirlpool	485.2	Jack D. Sparks *executive v.p., marketing*	169,302	28,918	Granted; Exercised; Unexercised Options Held	Incentive Plan
INDUSTRIAL EQUIPMENT						
Fischer & Porter	148.3	Robert S. Peterson *senior v.p., marketing*	70,563		None Granted; Exercised; Unexercised Options Held	Incentive Savings Program; Management Incentive Bonus Plan
Federal Mogul	568.6	W. Webster *v.p. and group executive, worldwide marketing*	165,188		Granted; Exercised; Unexercised Options Held	Incentive Compensation
Hughes Tool	659.4	Park L. Myers *senior v.p., marketing, U.S. and Canada*	130,000	7,460	Granted; Exercised; Unexercised Options Held	Savings Plan; Key Employee Bonus Plan

*Includes salaries, fees, incentives, and bonuses paid in cash.

Executive compensation survey

Company	Sales (Millions)	Individual And Title	Gross Total Remuneration*	Shares Common Stock Owned	Stock Options	Additional Compensation Plans
INDUSTRIAL EQUIPMENT (continued)						
Snap-on-Tools	$228.6	William B. Rayburn *senior v.p., marketing*	$167,573	8,936	Granted; Exercised; Unexercised Options Held	Employee Stock Purchase Plan
Snap-on-Tools	228.6	Marion F. Gregory *v.p., general sales manager*	125,680		Granted; Exercised; Unexercised Options Held	Employee Stock Purchase Plan
LUMBER						
Edward Hines Lumber	339.2	W.M. Archibald *v.p., retail sales*	82,449		None Granted	
Pacific Lumber	208.0	Thomas B. Malarkey Jr. *executive v.p., forest products marketing & administration*	92,013			Deferred Compensation Plan; Employee Stock Purchase Plan
MACHINERY						
Bucyrus-Erie	523.5	Howard Freyensee *senior v.p., sales*	175,097	34,050	Granted; Exercised; Unexercised Options Held	
PAPER						
Federal Paper Board	375.6	George E. Oakley Jr. *v.p., sales, Riegelwood Operations*	110,500	3,858	Granted; Exercised; Unexercised Options Held	Savings And Stock Ownership Plan
PETROLEUM						
Crown Central Petroleum	660.4	Jesse D. Winzenried *group v.p., administration & marketing*	124,012	2,360		Employee Savings Plan
Getty Oil	3,758.3	Robert N. Miller *group v.p., manufacturing, marketing & distribution*	275,893	2,378		
Mapco	504.7	David A. Roach *executive v.p., marketing supply & transportation*	163,210			Incentive Compensation Profit Sharing
Murphy Oil	1,217.7	John L. Solomon *v.p., marketing*	79,167		None Granted	Incentive Bonus Plan
Natomas	485.9	W.B. Seaton *executive v.p., marketing & transportation*	195,333	8,241	Granted; Exercised; Unexercised Options Held	Incentive Bonus Plan, Thrift Plan
Standard Oil (Ohio)	5,197.7	C.H. King *senior v.p., marketing & refining*	160,226		Granted; Unexercised Options Held	Deferred Incentive Compensation Plan; Employee Stock Ownership Plan
Union Oil Co. of California	6,339.6	William S. McConnor *senior v.p., refinery marketing*	220,500	3,969	None Granted; Exercised; Unexercised Options Held	Deferred Compensation; Employee Profit Sharing & Stock Ownership
PHARMACEUTICALS						
Block Drug	149.7	Donald H. LeSieur *senior v.p.; director, marketing*	138,125			Deferred Compensation
PUBLISHING						
Gannett	83.1	John E. Heselden *senior v.p., marketing*	205,115	33,749	Granted; Exercised; Unexercised Options Held	Executive Incentive Plans

*Includes salaries, fees, incentives, and bonuses paid in cash.

Executive compensation survey

Company	Sales (Millions)	Individual And Title	Gross Total Remuneration*	Shares Common Stock Owned	Stock Options	Additional Compensation Plans
RUBBER						
Bandag	$247.5	Harold H. Vischer *executive v.p., sales & marketing*	$129,725	36,760	Unexercised Options Held	Profit Sharing; Incentive Compensation Plan
Cooper Tire & Rubber	260.7	W.T. Fitzgerald *v.p., marketing*	109,277		None Granted; Unexercised Options Held	Thrift And Profit Sharing Plan
SPORTING EQUIPMENT						
Remington Arms	259.4	John G. Williams *v.p.; director, marketing*	125,150			Thrift Plan; Incentive Compensation
STEEL						
Atlantic Steel	174.7	Connor F. Nelson Jr. *v.p., sales & marketing*	64,045			
Inland Steel	3,248.0	Derrick L. Brewster *v.p., sales*	107,668			Thrift Plan; Performance Incentive Plan; Employee Stock Purchase Plan
Lukens Steel	297.6	W. Harrison Lackey *v.p., marketing & public relations*	107,348		None Granted; Exercised; Unexercised Options Held	Incentive Compensation Plan; Savings And Vacation Plan
Pittsburgh-Des Moines Steel	217.8	L.E. Anderson Jr. *v.p., sales & engineering*	77,080	800	None Granted; Exercised; Unexercised Options Held	Deferred Compensation; Savings And Investment Plan
TEXTILES						
Bibb	207.4	Roland K. Knight *v.p.; sales pres., consumer goods div.*	86,083		Unexercised Options Held	
Bibb	207.4	Numa R. Martin *v.p.; sales pres., yarn div.*	82,583		Granted; Unexercised Options Held	
Cone Mills	618.0	Myron L. Silverstein *executive v.p., marketing div.*	220,000	3,000	None Granted	
Cone Mills	618.0	Benjamin O. Sampson *pres., marketing div.*	170,000	8,400	None Granted; Exercised	
Crompton	7,391.4	Ewart J. White Jr. *v.p., marketing*	124,707		Granted; Unexercised Options Held	Profit Sharing
Dan River	530.4	John B. Russell Jr. *executive v.p., marketing*	126,112	11,308		Deferred Compensation
Fieldcrest Mills	463.6	David M. Tracy *senior v.p., pres., Fieldcrest sales*	198,962		None Granted; Unexercised Options Held	Payment of $109,900 From A Five-Year Deferred Compensation Plan Profit Sharing
Graniteville	266.5	H. Tenison Deane *v.p., sales*	164,102	12,794		Profit Sharing Incentive Plan
Martin Processing	121.8	Ronald A. Ressel *v.p., marketing*	69,678			Stock Bonus Plan; Savings And Stock Ownership Plan
Texfi Industries	171.9	Robert Biederman *v.p., market planning*	152,388			
TOBACCO						
Conwood	118.1	C.O. Clarke *v.p., sales*	114,125	8,506		Management Incentive Stock Purchase Plan Thrift Plan; Deferred Compensation

*Includes salaries, fees, incentives, and bonuses paid in cash.

Executive compensation survey

Company	Sales (Millions)	Individual And Title	Gross Total Remuneration*	Shares Common Stock Owned	Stock Options	Additional Compensation Plans
TOBACCO (continued)						
Conwood	$118.1	E.C. Powell *v.p., marketing*	$114,125	8,649		Management Incentive Stock Purchase Plan Thrift Plan Deferred Compensation
Dibrell Brothers	277.2	B. Carrington Bidgood *v.p., sales*	47,400	21,519		Deferred Compensation; Performance Share Units
Dibrell Brothers	277.2	Paul W. Mengel *v.p., sales*	57,400	4,051		Deferred Compensation; Performance Share Units
TOYS						
Hasbro Industries	104.0	Arthur Van Der Kar *v.p., sales Empire Div*	68,865		Exercised	Incentive Compensation
Ideal Toy	129.3	Abe Kent *senior v.p., marketing*	89,000		Unexercised Options Held	Deferred Compensation
Milton Bradley	260.0	John W. O'Donnell *senior v.p., marketing*	108,000	125,778	Granted; Unexercised Options Held	Profit Sharing
TRANSPORTATION						
McLean Trucking	493.7	Fred C. Bauer *executive v.p., marketing*	91,331	6,850	Granted; Unexercised Options Held	Profit Sharing
St. Louis-San Francisco Railway	356.8	E.D. Grinnell *senior v.p., marketing*	119,468	3,619	Unexercised Options Held	Incentive Bonus; Profit Sharing
Southern Railway	1,260.7	Robert S. Hamilton *executive v.p., marketing & planning*	210,176	1,519		Deferred Compensation

*Includes salaries, fees, incentives, and bonuses paid in cash.

IRELAND THE PERFECT PLACE.

Ireland has it all. Friendly hospitable people, lively cities, first class hotels and gourmet restaurants, magnificent golf courses, lakes and rivers teeming with fish.

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AN S&MM SPECIAL SECTION

Fleet cars 1980

THE SQUEEZE IS ON

By JOHN MUTTER
Associate Editor

The frantic pursuit of better gas mileage has set off a clashing of gears in the market for sales cars. Suddenly, everyone wants to switch to smaller cars, and there aren't enough to go around. What's more, commercial users, like their consumer counterparts, are hesitant to snap up the larger vehicles that Detroit has in abundance. Comments Bob Henderson, director of national fleet sales at Buick: "The rules of supply and

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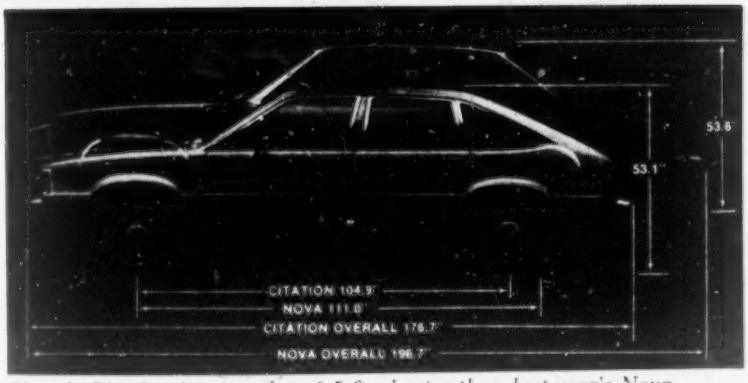


Chevy's Citation is more than 1.5 ft. shorter than last year's Nova.

demand have been thrown completely out of whack."

To see how the rules are changing and explore how fleet managers are reacting to gasoline at $1 or more per gallon, S&MM conducted a survey of sales and marketing executives. Among the findings:

- A majority of respondents plan to maintain current fleet levels over the next three years. Only 27% intend to increase the number of sales cars. Another 10% foresee reducing their fleet size.
- In the coming year, 5.9% of the respondents plan to drive significantly less, while 26.8% plan on a slight decrease.
- Over 40% of the respondents say they've changed territory coverage. Half of them say they don't know if the changes are permanent while 7% say definitely that they're here to stay.
- Telephone selling is used by 42.4% of all respondents as an alternative to cars. Many of these companies also use direct mail. Of those that have added those activities or increased them, 47.2% say the changes are permanent.
- The overwhelming majority (66%) of salespeople dislike small cars.

Even though many companies are tightening up on their use of cars, the sales-car fleet obviously is here to stay. Stan Chason, president of Gelco Fleet and Management Services, Eden Prairie, Minn., maintains, "No one's getting out of fleets. These fleets are necessary for business activity." Louis J. Boos, sales manager at Sandy Hill Corp., Hudson Falls, N.Y., agrees, speaking for many sales executives when he says, "Our type of selling requires face-to-face discussion with customers. We will continue to reach them primarily by car."

Nonetheless, the sales executive who's trying to decide on which cars are best for his organization runs up against more questions than ever. On top of gasoline price increases and shortages, he's confronted by continued (and sometimes confusing) "downsizing" of car models, an unstable used-car market, and salespeople who want to keep the big cars they're used to.

"The reaction to these sorts of things has been all over the map," says George R. Frink, fleet sales director at Chevrolet. "Some companies get quite emotional." Roy A. Houston, manager of marketing for the Fleet Div. of Chrysler, concurs: "It's gotten so that some fleet owners will buy a car with a four-cylinder engine even if the miles-per-gallon estimates are better for a six-cylinder engine in the same model," he says.

What are the smart companies doing? Houston says,

George R. Frink, director, fleet sales, at Chevrolet

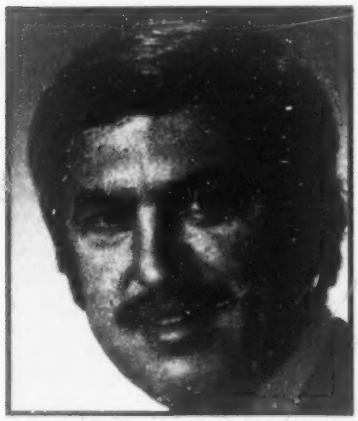
William R. McCreedy, manager, Ford Authorized Leasing System

John A. Rowley, leasing and fleet sales, Lincoln-Mercury

"They're holding their ground, not jumping to the smallest, most fuel-efficient car, which many times doesn't meet the needs of the sales force." However, the National Assn. of Fleet Administrators' (NAFA) annual new-car survey indicates that the majority of new cars for the 1980 model year will be compacts. Robert Burke, executive director of NAFA, notes that this is the first time since the survey was begun that compacts are the top choice of fleet administrators.

American Motors (AMC), which has long offered small cars, also attests to their popularity this year. Marty Levine, fleet marketing manager, says AMC's order bank for fleet passenger cars is the highest ever for the company.

It's not surprising that fleet managers are clamoring for smaller cars. For example, the Chevy Citation, one of General



Chuck Parker, president of Rollins Auto Leasing

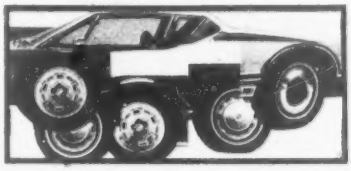
Highlights of S&MM's sales-car survey

1a. What has been the effect of gasoline availability (particularly last June and July) on your sales force activity?

Significant	11.2%
Moderate	55.6
Little or none	33.0

b. This effect was:

Everywhere	22.3%
Only in some areas	77.6



2. Where have fleet costs risen most?

Initial car prices	51.6%
Maintenance and repair	30.0
Insurance	13.7
Administration	1.9
Lease terms	22.8
Gasoline	84.3

Totals exceed 100% because some respondents gave multiple answers.

3. During the next three years, do you plan to:

Increase the number of fleet cars	27.0%
Reduce the number of fleet cars	10.9
Maintain current levels	62.0

4. What changes have you made or do you plan to make in using fleet cars?

	Have Done In Past Year	*Plan To Make In Coming Year*
Reduce driving significantly	2.7%	5.9%
Reduce driving slightly	19.0	26.8
Stay about the same	58.1	40.2
Increase driving in line with sales growth	20.0	26.8

5. What % of your fleet consists of small cars (compacts and subcompacts) and what will be the % three years from now?

	(% Of Respondents)	
% Of Fleet In Small Cars	*Now*	*Three Years From Now*
0%–24%	75.7%	34.8%
25%–49%	5.7	13.3
50%–74%	11.4	19.2
75%–100%	7.1	32.5

6. What is your sales force's attitude toward small cars?

Positive	7.6%
Neutral	26.5
Negative	65.7

7. Do your salespeople have any problems with storage space in small cars?

Yes	61.2%
No	38.7

8a. As a result of gasoline price increases and shortages, have you changed territory coverage in any way?

No	59.5%
To a small degree	35.4
Significantly	4.9

b. Are these changes:

Temporary	7.2%
Permanent	43.6
Don't know	49.0

9a. Have you used outside consultants to hold down costs?

Yes	6.4%
No	93.5

b. If not, do you plan to?

Yes	3.4%
No	96.5

10a. Have you used other methods of selling as a result of rising fleet car costs?

Telephone	42.4%
Mail	20.9
No change	43.1

b. Are these changes:

Temporary	4.1%
Permanent	47.2
Don't know	48.6

Totals exceed 100% because some respondents gave multiple answers.

Survey results are based on a mailing to 1,000 S&MM subscribers. By the cutoff date, 250 questionnaires were received. Of those who responded, 153 provide sales cars to some of their salespeople. Thus the base for all responses is 153 except where otherwise noted.

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Motors' new X-body cars, gets as much as 45% better mileage with an automatic transmission and four-cylinder engine over the model it replaced, the Nova. For a large fleet that may spend $10,000 a week for gasoline, savings could amount to $4,000 a week. But many auto manufacturers are quick to point out that downsizing of full-sized and intermediate cars has made all cars more efficient. Chevrolet's Frink claims, "If all cars on the road were current full-sized Chevrolets, there'd be no gasoline shortages." John A. Rowley, major leasing and accounts manager at Lincoln-Mercury, notes, "Much of the recent jump in gasoline prices is offset by better mileage rates." Moreover, because of federally mandated corporate average fuel economy (CAFE) requirements for manufacturers, further improvements can be expected. Auto manufacturers also cite the benefits of new technology in reducing maintenance costs for all classes of cars. Intervals between tune-ups and oil changes, for example, are increasing.

Still, such small cars as the Ford Fairmont, Plymouth Horizon, Dodge Omni, and GM's X-bodies (in addition to the Citation, there are the Oldsmobile Omega, Buick Skylark, and Pontiac Phoenix) are not available in the quantity desired. Chuck Parker, president of Rollins Auto Leasing, Wilmington, Del., estimates, for example, that someone ordering X-body cars must wait six months for delivery. Gelco's Chason thinks many customers are willing to put up with the

Getting started in fleet cars

Say you're a sales manager of a small sales force, and your company is considering leasing or buying sales cars for the first time. What are the major decisions you must make?

Roy Houston of Chrysler recommends that the sales manager get in touch with a number of leasing companies even if he wants to buy. "The person should find out what is offered and why," he says. "And he shouldn't take just one answer; there's no single program that fits everyone perfectly."

The major criterion for buying is having enough cash to tie up in ownership. If a company is well-heeled enough for that, the next step is to decide who will handle fleet administration. Some buy cars but have leasing companies manage them. As Lincoln-Mercury's John Rowley notes, "More and more leasing companies are managing fleets as well. They supply most services a company doesn't want to supply itself."

But if a company wants to take on fleet management responsibilities, Robert Burke of the National Assn. of Fleet Administrators notes that the company must find an executive who has time to get to know dealers and manufacturers and learn the intricacies of the used-car market. "It's a complex area of management," he says.

For this reason and others, most companies choose to lease. Burke says that in this case, the sales manager must take his sales force's geographical location into consideration. "If it's a local sales force," he advises, "then local leasing companies should be approached." In addition, the sales manager should keep in mind that most auto dealers handle local car leasing, sometimes even for fleets of over 100 vehicles.

National leasing companies are recommended for national sales forces. Among the reasons for this: The national lessor can coordinate different localities' licensing and tax laws and provide a national network for handling sales-car emergencies.

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long lead time. "They just keep driving the old car until the new one comes in," he says. But as Chevrolet's Frink points out, "In that amount of time, anything could happen to the present car. If it breaks down, the extra rental and repair costs could easily exceed the savings from the new car."

The difficulty here, as Lincoln-Mercury's Rowley sees it, is that some companies are demanding the small car for the wrong reasons. "They're making a knee-jerk reaction," he says. "Often an edict from top management will come down saying something like, 'We will drive only six-cylinder-engine cars.' "

For all companies, the vagaries of the used-car market are a big factor in selecting makes and models. This summer, demand for larger used cars was exceptionally weak and contributed to the sudden shift to compacts. William McCreedy, manager of Ford Authorized Leasing System, explains: "Many companies look at a car for its resale potential first. They've seen what's happening in used cars, and that's affecting their fleet buying."

Nonetheless, Lincoln-Mercury's Rowley hints that some companies aren't giving sufficient consideration to resale value. He maintains that because of their consistently good resale value, fleet managers need to overcome a reluctance to provide such sporty cars as the Ford Mustang, Lincoln-Mercury Capri, and Pontiac Grand Prix. "If companies really want to control costs, they're going to have to keep resale values like this in mind," he says.

Conditions in the used-car

Ron Green of Toyota

Imported cars crack the fleet market

Over the years, imported cars have generally been considered taboo for sales fleets, but the gasoline crunch has changed all that. An increasing number of fleet managers now regard import models as reliable cars that are reasonably priced and economical to operate.

Ray Barnett, national fleet and leasing manager at Nissan Motor (Datsun), says that a breakthrough for Datsun's fleet marketing has been the use of the company's cars by local and state governments. When fleet administrators for corporations discover that the states of California and Florida and the city of Los Angeles, for example, have Datsuns on their selection list, the implied endorsement helps his cause tremendously, he says.

How does Barnett respond to the inevitable objection from companies that want to "buy American?" "As a result of our presence in the U.S. auto industry, more Americans are employed in such areas of business as shipping, docking, trucking, dealerships, servicing, and parts manufacturing than would otherwise be the case," he says.

Ron Green, national fleet and lease administration manager for Toyota, says that one of his biggest marketing problems is that "people don't think we're out to get fleet business." Indeed, Toyota, the No. 1 import in the U.S., has been in the fleet business just five years. Green explains, "Only recently did we become a large enough proportion of the parent company's export business to guarantee ourselves enough cars for fleet business."

Toyota's fleet strategy has been to concentrate on the rental car companies, but Green says he's beginning to detect more interest nationwide from sales fleets. "Local and national fleet sales represent only 8% of our total sales," he says, "and we expect continued growth."

Datsun's peppy 210 gets 35 m.p.g.

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market are also affecting the terms of many fleet leases. When the used-car market is good, companies tend to opt for open-ended leases, in which the company pays less and assumes the risk of reselling the car. "But when the used-car market is bad," Rollins's Parker notes, "quite a few companies tend toward close-ended leases. They're more expensive, but the leasing company assumes the risk. We may see a lot more of that now."

Leasing cycles, the amount of time the car is held, continue to lengthen. Whereas a few years ago 24 months was standard, the average now is near 30. But this figure may not go much higher: after 30 months many cars are near the 50,000 to 60,000 mileage level after which resale value drops significantly.

Few manufacturers and leasing companies expect to see much change in the perennial question of leasing vs. ownership. Approximately 80% of all fleets are leased to begin with. Most often, the ones that are company-owned are managed by leasing companies anyway. Thus for the most part, the difference between leasing and owning boils down to who possesses the title for the car.

Despite the rush to smaller cars, many operators are holding up on their 1980 fleet orders. Rollins's Parker says, "On the whole, fleet people really aren't sure which way they want to go, so they aren't making decisions." Ford's McCreedy notes that "gasoline prices and availability problems are confusing the fleet owner as much as the retail buyer. The auto industry sees this in fleet orders that don't

A phone in every sales car? Not yet

Many a sales manager has yearned to be in instant communication with his salespeople when they're on the road, but until recently there hasn't been much he could do about it. Now, the in-car telephone makes it all possible, but there's a limit on how many can be in use and, let's face it, you pay for the service.

The mobile phones themselves may be obtained from two types of suppliers. First are the major telephone companies—Bell, General, and Continental. Then there are about 600 radio common carriers (RCCs), whose main business is operating local paging systems. Getting the hardware doesn't put you on the air, however. Because the Federal Communications Commission assigns a limited number of radio

channels to these phones, only a finite number of customers can be accommodated at any one time. Thus the potential subscriber usually must wait a year; in urban areas it may be even longer.

Most mobile units are leased to subscribers. Fees differ, but they generally run along these lines: installation, $70–$100; basic monthly service, $60–$100 (when higher, the charge may include a certain number of "free" minutes); rate per minute, 25¢–40¢. (In some cases the rate increases with the length of the call to discourage callers from blocking radio channels.)

Outside his local subscriber area (30–50 miles), a person with a mobile phone must connect with another RCC or telephone company. For technical reasons, this is not possible in all cases. Information on this subject should be requested from suppliers. In almost all cases, subscribers are able to dial as if using a regular telephone. Connection to the wire telephone network is done automatically by computer.

The easiest way to find out about service in a particular area is to call both the regular telephone company and the RCCs that are listed in the Yellow Pages under "Radio Communication Equipment and Systems." Shop around—rates and plans vary significantly.

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match the rates of previous years."

One possible reason for hesitancy: reaction by salespeople to the downsized car. Gelco's Chason says, "Salespeople like the biggest car they can get." Chrysler's Houston: "Salespeople resist smaller cars."

In S&MM's survey results, only 7.6% of the respondents report salespeople reacting positively to small cars. Wyn Hoag, national sales manager for the Water Systems Div. of the Millipore Corp., Bedford, Mass., says, "The automobile is a two-edged sword: on one hand, costs are skyrocketing so they're being downsized; but on the other hand, the larger car is part of the salesperson's image. It enhances his self-esteem and is therefore a key element in the total remuneration package provided by the company. As such, it helps you hire and keep top salespeople."

NAFA's Burke says that most companies have taken downsizing step by step, so that opposition from salespeople is reduced. This year, however, Burke says the big jump down poses potential problems—so "many fleet users are loading up smaller cars with company-paid options." As a result, on smaller cars, such one-time luxury items as air conditioning, AM-FM stereo radio, power steering, and power brakes are almost standard for fleets. More companies also provide cruise control and an overdrive gear, which usually improve mileage. Gerald A. Schubert, director, sales and marketing, Apache Products, Linden, N.J., confirms the effectiveness of the strategy: "Our salespeople appear to be receptive to smaller cars—*if* they are deluxe."

"Be sure to ask George about his tomatoes."

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Such "loading" of small cars produces some interesting twists. Bob Henderson says his Buicks, previously not heavy fleet sellers because they were reserved for a few people at the top of the sales staff, are enjoying a sales surge. He says, "Companies tell their salespeople, 'Yes, we're downsizing, but we're going up a nameplate. You won't have the big car you're used to, but we're going to put a Buick in your driveway.'"

Rollins's Parker is also optimistic about getting salespeople to accept small cars. If companies make clear "the connection between high uncompetitive selling costs and the big car so many of their salespeople like, they'll have a much easier time," he says.

Another person who thinks there will be a smooth changeover to small cars is Ray Berlin, executive vice president of Wheels, Inc., Chicago. "When companies tried to get into small cars after the 1973 oil

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embargo, salespeople reacted badly," he says. "The main reason was because the small cars then just weren't that good. Now it's a different story."

Problems with storage space is another major objection sales managers and their salespeople raise against small cars. (Over 60% of S&MM's survey respondents report such problems.) Some companies with large samples require spacious trunks. Moreover, if several salespeople are riding together or with a sales manager, they complain that there's not enough room for everyone plus their luggage and samples.

Auto manufacturers and leasing companies reply that considerations like storage space are the things that too many companies overlook in their insistence on getting top fuel economy. Frink of Chevrolet says that in "normal years" the most important criteria for car selection are, in descending order, (1) resale value, (2) prior experience with the vehicle, (3) trunk space, (4) interior space, and (5) economy. Now, he says, "fuel economy is generally a close second to resale value." To illustrate the point, he adds, "If many companies can get an X-body car, they don't care about trunk space." Such shortsightedness leads, as Chrysler's Houston puts it, "to expensive retreats down the road."

AMC's Levine already sees encouraging trends toward sound decisions based on business needs. His company's Eagle, the first U.S.-made four-wheel-drive passenger car, which uses a Jeep undercarriage and an AMC body, has been successful since its August introduction despite a lower mileage rating than other cars comparable in size. "We've sold some as fleet cars sight unseen," he says. "Any type of business where people *have to* get where they're going is our market.'

In some instances, of course, the fuel crunch has led companies to drop fleet cars in favor of reimbursing salespeople for the use of their personal cars. For example, Jay D. Langer, marketing manager for Chemical Sciences, Whippany, N.J., says, "We are systematically eliminating fleet cars and providing salesmen with a flat-rate car allowance

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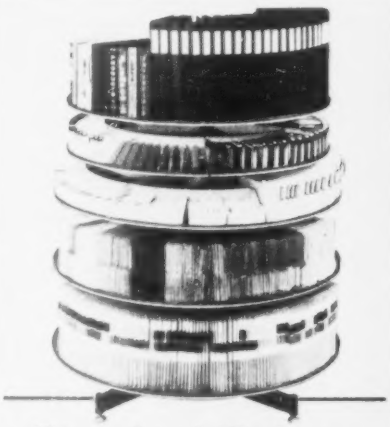

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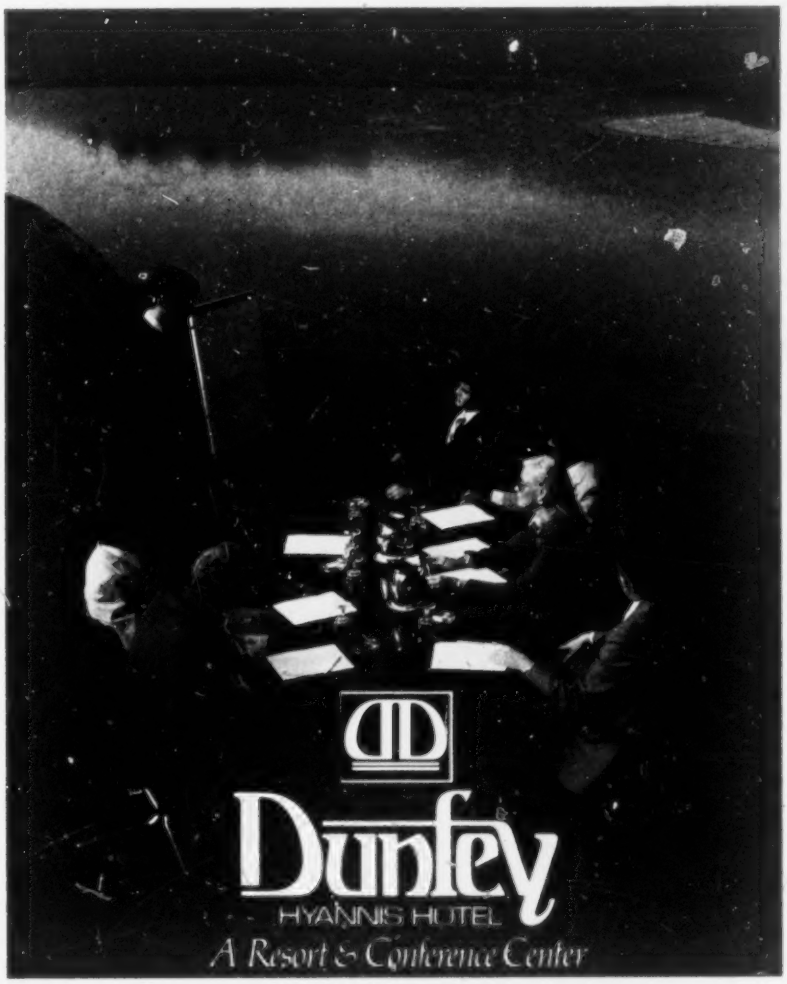

Cape Cod, Massachusetts

and mileage compensation. This encourages the men to select fuel-saving cars if they have no hangups about driving smaller vehicles."

Humberto Velez, sales control supervisor for TAP, the Airline of Portugal, New York City, notes that his company is not leasing cars anymore. "We're giving car allowances," he says.

In fact, Runzheimer & Co., the transportation consulting firm, says that reimbursement under an equitable plan can be an effective alternative to leasing or buying sales cars. Judith Dettinger, field consultant, Transportation Div., recommends "automobile standard allowances," which combine a fixed dollar payment for such costs as insurance, license fees, and taxes with a variable cents-per-mile payment covering gas, oil, maintenance, and tires. "This method," she says, "allows for fairness by tailoring reimbursement of car use to the particular automobile, home city, and travel territory."

Whatever road they choose —leasing, buying, or reimbursement—marketers gradually are coming to realize that the role of the auto in carrying out their strategies has been permanently altered. This is pointed up repeatedly in the responses to S&MM's survey and in interviews with fleet-car people. During the oil shortage five years ago, many companies had their salespeople jump into small cars for a while, only to return to gas guzzlers once the crisis eased. Now the trend is unmistakable. Says Chuck Parker of Rollins, "This time, I don't see people going back to big cars."

NOTE

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